Development or Dependence? Rethinking Chinaâ??s Economic Playbook in the Americas

Description

Editorâ??s Note: *This article was written in anticipation of the Irregular Warfare Initiativeâ??s South America in Competition Conference, which will feature keynote speakers and expert panels examining the regionâ??s role in strategic competition, including a focus on Chinaâ??s economic influence in Latin America. One of the articleâ??s co-authors, Leland M. Lazarus, will serve as a panelist on the Economic Statecraft and Supply Chains panel.*

Introduction

â??Economic security is national security.â?• This core principle, long echoed across the U.S. interagencyâ??from the White Houseâ??s National Security Strategy to Treasury and Commerce policy directivesâ??has gained renewed urgency as strategic competition intensifies in the Western Hemisphere. In no place is this more evident than in Latin America and the Caribbean, where economic statecraft has become the terrain of contestation.

For three years, this slogan permeated out of U.S. Southern Command (SOUTHCOM), stressing that a nationâ??s economic and national security are intertwined and that economic over-reliance on China could infringe on Latin America and the Caribbean (LAC)â??s sovereignty. While the slogan certainly resonated in Washington, we often discussed with colleagues in the region whether LAC citizens felt the same way.

Oftentimes, they didnâ??t. Part of the reason is the U.S.â??s own fraught history of imperialism in the region, where it militarily intervened in LAC countries dozens of times under the infamous Monroe Doctrine. In the minds of some LAC leaders, U.S. warnings about Chinese threats to their economic and national security come off as hypocritical.

That being said, it is disappointing that the same kind of domestic political discourse in many LAC countries where politicians jealously guard their sovereignty from the clutches of a Monroe Doctrine 2.0 doesnâ??t also include the same fervent effort to protect their sovereignty from China.

Beijing often cloaks its regional projects in strictly commercial language, but the substance is strategic: using economic leverage to shape the policy behavior of smaller states. In LAC, this coercion is increasingly subtle, pervasive, and effective. Chinaâ??s tactics constitute a form of irregular warfare as old as Sun Tzuâ??s Art of War. An ancient Chinese idiom captures this approach well: â??subdue the enemy without fighting.â?? Therefore, LAC countries must identify when and how China is deploying economic coercion, and develop strategies to successfully counteract them and proactively protect their sovereignty.

The following table illustrates all instruments wielded by Chinese embassies.

Irregular Warfare Framed through DIME-FIL

Instruments of Power	Chinaâ??s Actions	Implications for IW
Diplomacy	Chinese embassies serve as the center of gravity for all CCP actions, overt and covert.	Coordinates influence across domains, pressuring and bribing elites behind closed doors, and reinforcing dependency through covert inducementsâ??blurring the line between statecraft and subversion.
Information	State-linked media outlets and social influencers amplify CCP narrativesâ??framing infrastructure as win-win.	Shapes local perceptions, reducing resistance to dual-use assets.
Military	Dual-use ports (e.g., Chancay) serve as platforms for CCP access and placement.	Enables maritime presence & access to strategic key terrain under cover of civilian logistics.
Economic	Companies like Huawei and state-owned enterprises (SOEs) like China Harbour Engineering Company (CHEC) develop infrastructure projects.	Expands CCP control over telecom, cyber networks, and critical infrastructure.

Finance	Heavy lending via Belt and Road Initiative (BRI)-like instruments, resulting in debt and substandard construction projects, leading to pressures (e.g., Peru).	Builds financial dependency that doubles as political leverage.
Intelligence	Satellite-linked operations in Cuba, data centers, undersea cables, and space sites expand Peopleâ??s Liberation Army (PLA) access and global capabilities	Enhances SIGINT collection capabilities across the hemisphere and possess risks to U.S. on-orbit capabilities.
Lawfare/Law enforcement	Legal agreements and nebulous language embed Chinese arbitration terms, complicating renegotiation.	Creates coercive strategic traps through binding agreements.

Economic Statecraft as Irregular Warfare

At the heart of Chinaâ??s statecraft is a global network of state-owned enterprises (SOEs), policy banks, politically connected private firms, Chinese diaspora leaders, and local businesspeople. These actors extend Chinaâ??s reach through infrastructure projects, trade ties, loans, and in some instances, bribery. These relationships are not purely commercial; theyâ??re tools of foreign policy. This is Chinese state capitalism, or as China scholar Jude Blanchette calls it, â??CCP, Inc.â?• By dominating strategic sectorsâ??ports, power grids, telecommunicationsâ??Chinese firms make countries reliant on Beijing for economic growth and essential services, which in turn further ensure the Chinese Communist Partyâ??s long term stability. That dependence becomes leverage. If a government supports Taiwan, criticizes Chinese policies, or edges closer to the U.S., China can retaliate by canceling projects, restricting imports, delaying vaccine shipments, or suspending tourism.

The Caribbean

Nowhere in the hemisphere is Chinaâ??s per-capita investment footprint more concentrated than in the Caribbean. Through a mix of concessional loans, tourism-focused developments, and high-visibility infrastructure projects, Beijing has embedded itself in the political economies of small island states. For many of these nations, Chinese capital fills critical development gaps left by traditional Western actors. Yet beneath the surface, these engagements function as strategic footholdsâ??testing how commercial dependency can evolve into geopolitical leverage.

Guyana is illustrative. Chinese companies are increasingly engaged in the oil rich country, especially in energy and construction. In early 2021, Guyana announced it would allow Taiwan to open a small trade office in Georgetown. But within 24 hours, Guyana abruptly reversed course after China purportedly threatened to delay COVID-19 vaccine shipments or curtail investments in energy and infrastructure. Local Guyanese have also expressed dismay at the proliferation of Chinese supermarkets and retailers undercutting local businesses.

In the Bahamas, the $3.5 billion Baha Mar resortâ??financed by the China Export-Import Bank and built by China Construction America (CCA)â??became the largest single-phase resort in the Caribbean. When the project went bankrupt, Chinese entities forced out the original developers and seized control through legal and financial maneuvering. A New York state court ruled that CCA induced the projectâ??s financial collapse through fraud and misrepresentation.

In Jamaica, China Harbour Engineering Company (CHEC)â??which was blacklisted by the U.S. Commerce Department for building artificial military islands in the South China Sea- constructed the Northâ??South Highway and was later awarded contracts for port expansion and logistics hubs. While Jamaica maintains strong ties with the U.S., it consistently avoids antagonizing Beijing.

In Trinidad and Tobago, Chinese companies have become involved in the oil industry, built a $500 million drydock and a $102 million industrial park in La Brea, made significant investments in the telecommunications sector, and donated hundreds of police motorcycles and buses. This has caused concerns about over-reliance.

In Antigua and Barbuda, a Chinese SOE secured the rights to a large swath of land to build a deep water port and special economic zone with everything from logistics to cryptocurrencies. This raised concerns in Washington that China could potentially use this area for commercial and military purposes. The projectâ??s opacity, combined with its proximity to major maritime routes, mirrors similar dual-use infrastructure strategies employed by Beijing in Africa and the Indo-Pacific. Such developments underscore how seemingly benign investments can serve as prepositioning platforms for influence projection, economic leverage, or even future Peopleâ??s Liberation Army (PLA) logistical access in the hemisphere.

There are also more subtle tactics. Prominent members of the local Chinese diaspora community with direct ties to top political leaders help facilitate Chinese business projects in their respective countries. Some Caribbean countries have also received an influx of Chinese nationals acquiring citizenship by investment who then help expand Chinese business interests and try to persuade some governments to ditch Taiwan.

China is not just investingâ??it is rehearsing influence. The Caribbean provides a low-risk, high-return environment for the CCP to refine coercive economic tools. These engagements, when left unchecked, enable Beijing to shape elite behavior, compromise digital and physical infrastructure, and embed long-term dependencies under the guise of partnership.

Central America

Central America is a key battleground for Chinaâ??s campaign to diplomatically isolate Taiwan. Since 2017, Panama, El Salvador, Nicaragua, and most recently Honduras have switched recognition to Beijingâ??each after receiving promises of investment, aid, or infrastructure.

In Honduras, the decision came in 2023 after officials openly compared what Taiwan and China could offer. Honduras reportedly asked Taiwan for $2 billion in development assistance, including a hospital and a hydroelectric dam, though the Honduran government denied this. When Taipei declined, Honduras quickly sealed a deal with Beijing. China rewarded the move with state visits and new cooperation agreements. Whether the promises will materialize remains to be seenâ??but the diplomatic result was already banked.

El Salvador followed a similar path in 2018, announcing its break with Taiwan. China quickly pledged a new stadium, library, and water treatment plantsâ??while U.S. officials warned that the proposed La UniÃ³n port project could serve dual military purposes. El Salvadorâ??s economy is now more entwined with Chinese capitalâ??and its foreign policy more circumspect.

In Panama, Chinaâ??s influence extends well beyond trade. After switching diplomatic recognition from Taiwan to China in 2017, Panama signed on to the Belt and Road Initiative (BRI) and welcomed a surge of Chinese business delegations. The Trump administration decried the fact that the Hong Kong-based company CK Hutchison Holdings operated two key port terminals on both sides of the Panama Canal. A U.S. company, BlackRock, has since sought to acquire the ports, although the deal is currently in legal limbo. Panamaâ??s president Jose Raul Mulino also said Panama has withdrawn from the BRI, and the U.S. is helping Panama replace Huawei telecommunications equipment in 13 sites around the country. Mulino and subsequent Panamanian officials will now have to walk a careful lineâ??placating U.S. national security concerns around the canal while not appearing as a U.S. puppet and continuing to welcome Chinese capital.

South America

In South America, Chinaâ??s strategy hinges on dominating trade. Brazil, Chile, Peru, and Argentina all count China as their largest export destination. With stakes in copper, lithium, soy, and rare earths, China has embedded itself deeply in these economies.

But that trade relationship can become a political tool. In Brazil, when President Bolsonaro threatened to ban Huawei from 5G contracts, China delayed key vaccine ingredients. Shortly after Brazil softened its position, shipments resumed. Beijing never admitted a linkâ??but Brazilian governors certainly noticed.

Brazilâ??s current president Lula da Silva has been much more cooperative with the Chinese, and Brazil is courting Chinese electric vehicle and tech companies to invest in the country.

However, there is an ongoing debate in Brazil about how a further increase in Chinese exports due to overcapacity of both high and low-end manufactured goods could exacerbate the de-industrialization of Brazilâ??s manufacturing sector; this is why Brazil has imposed anti-dumping tariffs on Chinese iron, steel, and fiber optic cables.

Elsewhere, Chinese firms have invested in ports, highways, and energy grids. In Peru, two Chinese companies have a virtual monopoly over Limaâ??s electrical grid. China is financing Peruâ??s Chancay megaport, which Chinese scholars of Latin America call one of Chinaâ??s â??strategic support points,â?• a term used by the PLA and military researchers denoting ports with both commercial and strategic purposes. In Argentina, Bolivia, Chile, and Venezuela, Chinese companies have built space research infrastructure that could also serve dual-use purposes; local governments can push back on these projects for only so long until they suffer economic retaliation. While many of these projects appear beneficial, they deepen structural dependence on Chinese capitalâ??making future coercion easier and more effective.

Policy Recommendations

All these examples point to the need for local LAC leaders to take stock of the very real irregular tactics China uses to undermine their sovereignty. As such, LAC countries must reduce their economic over-reliance on China with the same fierceness they use to guard against U.S. or other big country interference. Fortunately, there are already playbooks Global South countries can use to further shore up their economic security. The following recommendations are intended for both LAC governments and their U.S. and international partners:

Recommendations for LAC countries:

1. **Institutionalize awareness of CCP economic coercion.** The Atlantic Councilâ??s Chinese economic coercion report can act as a guide. It provides case studies and operational tactics to recognize early indicators of economic warfare. Regular public-sector training in ministries of trade, economy, and foreign affairs should include scenario-based simulations of coercive trade behavior, investment withdrawal threats, and digital authoritarian entrenchment.
2. **Seek transparent, high-quality alternatives**. Pursue the G7â??s Partnership for Global Infrastructure and Investment (PGII), and Inter-American Development Bank-financed infrastructure that emphasizes governance, Environmental, Social, and Governance (ESG) standards, and local capacity building. Critically, demand conditionality transparency in all future foreign infrastructure contractsâ??especially those related to ports, fiber-optic cables, energy grids, telecommunications, space, artificial intelligence, and data centers.
3. **Coordinate regional response mechanisms.** Develop rapid-response economic teams to support countries facing Chinese retaliationâ??whether through trade substitution, diplomatic backing, or financial relief.
4. **Strengthen investment screening.** Review foreign investment deals for national security risks, similar to the Committee on Foreign Investment in the U.S. or Canadaâ??s recent amendments to its foreign direct investment rules. This includes legal reforms to screen foreign direct investment in strategic sectors, empowering defense and intelligence ministries to contribute to risk assessments, and publicizing CCP-linked corporate acquisition trends for transparency.
5. **Support export diversification.** Reduce overreliance on Chinese demand by identifying new markets, building downstream industries (e.g., lithium battery tech, rare earth separation), investing in logistics modernization, and expanding trade facilitation efforts. Some partners like the European Union, Japan, South Korea, and India are also looking to expand economic partnerships with LAC. Market diversification through free trade agreements offers sustainable pathways to reduce coercion exposure.

Recommendations for U.S. and partner nations:

6. **Expand and Reauthorize the U.S. International Development Finance Corporation**. Congress should reauthorize the U.S International Development Finance Corporation and double its capital portfolio to $120 billion from $60 billion. The U.S. should not try to match China dollar-for-dollar, but it can match China in reliability. Under the FY25 National Defense Authorization Act, this should be coordinated with the **Office of Strategic Capital** and the proposed National Security Council **Economic Statecraft Integration Cell**, enabling the Development Finance Corporation to deliver targeted, secure infrastructure financing at scale.
7. **Maintain persistent engagement**. Diplomatic absence creates space for China and diplomatic consistency is as important as financial presence. Regular high-level visits, economic dialogues,

and people-to-people exchanges can reaffirm U.S. commitment. Moreover, the U.S. should embed Economic Influence Monitoring Teamsâ??comprising State, Treasury, DOD (SOUTHCOM), and Commerce officialsâ??at embassies in vulnerable LAC countries. These teams would provide early warning of coercion attempts, vet infrastructure proposals for embedded risk, and coordinate direct reporting mechanisms.

8. **Elevate Civil Society Capacity through Targeted Legal and Media Support.** Fund **regional investigative media hubs**, legal watchdog networks, and civic tech platforms to expose hidden debt clauses, political financing flows from CCP-linked firms, and disinformation tied to foreign investment. The Global Magnitsky Act should be utilized to protect journalists and civil society actors at risk from transnational repression or corruption.

Strategic Action Framework: Countering CCP Economic Influence in LAC

Line of Effort	Lead Actors	Strategic Mechanisms	Desired Outcomes
Recognize and Counter Economic Coercion	LAC Ministries of Trade, Economy, Foreign Affairs	Policy training and coercion recognition exercises	Local leaders can detect and resist coercive pressure
Build Strategic Economic Alternatives	LAC Governments, IDB, PGII, G7 Partners	PGII/IDB infrastructure packages with conditionality transparency	LAC nations access transparent, sovereign-aligned development pathways
Enhance Regional Defense and Coordination	LAC Regional Blocs	Economic resilience compacts and trade substitution protocols	Collective response capability to CCP retaliation or economic pressure
Modernize Investment Oversight	LAC National Security and Economic Ministries	Foreign investment screening legislation and risk audits	Screen out predatory investments and preserve national autonomy
Promote Export Diversification	LAC Trade and Industry Ministries	New trade agreements, logistics hubs, downstream processing investment	Reduce overdependence on Chinese commodity demand

Expand U.S. Strategic Finance Tools	U.S. Congress, DFC, Treasury, OSC, NSC	FY25 NDAA authorities, BUILD Act, OSC mobilization	Scale reliable capital deployment for key infrastructure projects
Deploy Economic Influence Monitoring Teams	NSC, State Department, DOD, Treasury	Embassy-embedded interagency teams with OSINT and risk flags	Enable real-time risk identification and policy coordination
Strengthen Civil Society Watchdog Capacity	State	Media hubs, legal watchdog grants, Magnitsky protections	Expose malign influence and protect democratic resilience

Conclusion

Chinaâ??s expanding economic engagement in Latin America and the Caribbean is reshaping the regionâ??s strategic landscape. Beijing has positioned itself as an indispensable development partnerâ??especially for those who perceive traditional Western actors as inconsistent, conditional, or disengaged.

Yet China could use the same levers of commercial cooperation to deploy irregular tactics to undermine LAC countriesâ?? sovereignty, especially when those countries make decisions that go against Chinaâ??s interests. Governments that cross Beijingâ??by recognizing Taiwan, criticizing its human rights record, or aligning more closely with Washingtonâ??risk subtle but tangible forms of retaliation: project cancellations, delayed trade, suspended medical shipments, or withdrawal of tourists and investors. This is irregular warfare by designâ??waged in boardrooms, tenders, and trade agreements. Subversion replaces confrontation; contracts replace conflict.

LAC governments must guard their sovereignty from China or risk seeing the Monroe Doctrine replaced by Sun Tzu Doctrine. The U.S. interagencyâ??along with its allies and partnersâ??must do more to provide alternatives to LAC countries to ensure the region experiences true unfettered freedom.

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Views expressed in this article solely reflect those of the author and do not reflect the official position of the Irregular Warfare Initiative, Princeton Universityâ??s Empirical Studies of Conflict Project, the Modern War Institute at West Point, or the United States Government.

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